



CITY OF WELLSTON, MISSOURI

YEAR ENDED JUNE 30, 1999

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2000-14
March 6, 2000

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2000

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the City of Wellston, Missouri.

The city's quarterly COPS grant reports were not accurate and copies of some reports were not retained. During the period July 1997 through July 1999, the city over claimed approximately \$91,600 from the COPS grant due to various errors.

On August 26, 1997, the City Council established a benefits package for the mayor, treasurer, and the council members. The council transferred \$80,000 from city funds to a certificate of deposit to pay for future benefits. The benefit package has a death benefit and a severance benefit. The death benefit pays \$10,000 to the beneficiary of a city official who dies while holding office. The severance benefit pays \$10,000 to city officials having been an official for a period of at least 10 continuous years who cease to be a city official for any reason other than death or cause.

Parts of the benefit package look like a retirement plan, which the city is prohibited from establishing by state law. However, the most significant problem appears to be the increase in compensation or benefits during the term for which an officer is elected or appointed, which is prohibited by Article VII, Section 13, of the Missouri Constitution. Retroactive compensation for services previously rendered is in violation of Article III, Section 39 of the Missouri Constitution.

During the period October 1995 through April 1998, loans were made to some city officials and employees totaling approximately \$29,500, which were to be repaid through payroll deductions. The employees were required to sign a contract indicating that they would continue to make these payments if they left city employment; however, there are several past and current employees with unpaid balances totaling approximately \$6,700 as of June 30, 1999. In addition, the city did not appear to attempt to withhold any unpaid balance from the five former employees' final paycheck. It would appear these payments are in fact interest free loans to employees.

Also, since June 1999 the Mayor received his payroll checks from two to six weeks in advance of the dates earned.

Some city officials improperly received raises within their term of office, in violation of Article VII, Section 13 of the Missouri Constitution.

(over)

YELLOW SHEET

The city purchased fifteen cellular phones, some of which were to be used as city phones, and some of which were resold to city employees and another individual to be used as personal phones. The purchase price and phone bills for the personal phones initially are paid by the city and then reimbursed through payroll deduction for the employees, and through payments from the individual. Phone service is discontinued when employees leave city employment. The purchase of personal phones and service does not appear to be a necessary, proper, or prudent use of city monies. Also, the city has failed to properly bill or collect the total cost of personal phone service.

The city has taken over providing a lunch and transportation service to senior and disabled citizens, including persons outside city limits. During the two years ended June 30, 1999 and 1998, the city's net costs for this program were at least \$96,000 and \$81,000, respectively. It is unclear whether the city has the authority to provide the program or can afford it. Also, the city has not ensured that the fee charged to employees for meals obtained through the program is adequate or is always collected.

The city has not identified all costs of the city's trash collection program to ensure the fee is sufficient, has not taken adequate steps to ensure the timely collection of delinquent accounts, and has not developed procedures to ensure all customers are billed. Controls and accounting records for trash service fees are not adequate.

Bids or proposals were not solicited or bid documentation was not retained for many purchases and the city did not obtain formal written agreements with companies or individuals providing services to the city. Also, documentation to support some disbursements was either inadequate or not available.

Budgets are not approved timely and are not complete. Semi-annual financial statements are not published as required by state law.

The city has not properly accounted for the expenditure of restricted revenues and numerous other accounting controls, procedures, and records were inadequate and inaccurate.

Approximately \$4,083 in cash bond monies were not deposited and appear to be missing. Numerous other accounting controls, procedures, and records in the Municipal Court were inadequate and some records were missing.

CITY OF WELLSTON, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Members of the City Council
City of Wellston
Wellston, Missouri 63133

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Wellston, Missouri. Our audit of the city included, but was not limited to, the year ended June 30, 1999. The objectives of this audit were to:

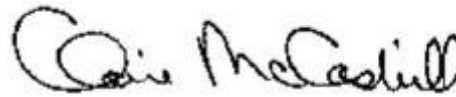
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed council minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to auditing procedures applied during our audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Wellston, Missouri.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

November 1, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Karen Laves, CPA
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EXECUTIVE SUMMARY

CITY OF WELLSTON, MISSOURI EXECUTIVE SUMMARY

The city of Wellston has continued to operate with poor record keeping, inadequate control systems, repeated instances of employee fraud and accounting irregularities, illegal and improper spending of public monies, and ineffective management practices. Past audits of the city of Wellston and its municipal division have shown missing monies in both the city and the municipal division, and made numerous recommendations to improve record keeping, internal control systems, and management practices. However, the city does not appear to have made adequate effort to implement our past recommendations to establish internal controls and supervisory reviews to attempt to avoid further losses.

The city has made illegal and improper disbursements such as loans and bonuses to employees, and established programs or entered into transactions to personally benefit city officials and employees. In addition, the city has not established adequate controls, supervisory review, or documentation to ensure disbursements and payroll transactions are properly authorized and prudent uses of city monies. The city has not obtained bids for major purchases. City monies have been spent, including revenues restricted for other purposes, to fund programs such as the city officials' benefit package and the senior citizens program which may not have been proper or could have been provided at less cost.

The city has not established adequate controls or supervisory reviews over cash receipts; does not prepare bank account or other reconciliations; and does not maintain records of investments. The lack of controls and supervisory review allowed numerous billing errors on the city's COPS grant, missing bond monies, errors in payroll, and unpaid loan balances to go undetected.

The city's operational decisions are based on inadequate, inaccurate, or incomplete budgets and financial reports. In addition, the City Council does not periodically compare actual receipts and disbursements to the budgeted amounts.

As a result of the mismanagement and poor records noted above, the city of Wellston is experiencing a declining cash balance. The cash balance has decreased from \$448,378 at June 30, 1997 to \$43,953 at June 30, 1999. As of that date, the city owed \$459,000 to St. Louis County for prior police services, \$62,863 on new car leases, and had a significant amount of other outstanding bills. However, the full cost of fraud, illegal activities and poor management practices and the effect of unreliable accounting information cannot be measured solely in monetary terms. The failure to maintain adequate accountability can erode the public's confidence in the city's ability to efficiently and effectively manage its programs.

The findings presented in our report identify significant weaknesses in the system of internal controls and management that must be corrected to achieve the required level of accountability and more effectively use the city's resources. The related recommendations are directed at helping the city minimize the potential for fraud, waste, and abuse throughout its operations. Allowing such misuse of public funds as described within this report is an unacceptable lack of stewardship of public trust. The City Council must evaluate management practices to more efficiently use the resources available to the city and ensure an effective system of accounting and administrative controls are in place, including an effective financial reporting system and procedures to monitor budgeted and actual activity.

HISTORY AND ORGANIZATION

CITY OF WELLSTON, MISSOURI HISTORY AND ORGANIZATION

The city of Wellston was incorporated as a third-class city on June 6, 1949, and is located in north St. Louis County. The population in 1990 was 5,868. The city government consists of a mayor and a six-member City Council. The six members are elected for two-year terms, one from each of three wards each year. The mayor is elected for four years, presides over the City Council, and votes only in the case of a tie. The Mayor, City Council members, and other principal officials at June 30, 1999, were:

<u>Elected Officials</u>	<u>Term Expires</u>	Compensation Paid for the Year Ended <u>June 30, 1999</u>
Lawrence Brady, Mayor	April 2001	29,393
Frank McNeil, Councilman	April 2001	6,900
James Harvey, Councilman	April 2000	6,900
Donald Garner, Councilman	April 2001	6,900
Rico Ayuso, Councilman	April 2000	6,900
Gracie White, Councilwoman (1)	April 1999	6,900
Ronnie Shepard, Councilman	April 2000	6,900

Other Principal Officials

LaShonda Howard, City Clerk (2)	5,463
Rose Evans, Treasurer (3)	4,529
Linda Whitfield, Police Chief (4)	25,997
Thompson Coburn, L.L.P, City Attorney	66,390 (5)
Jerilyn Hill, Municipal Judge	6,000
Victor Thompson, Prosecuting Attorney	6,000
Rosie Edwards, Court Clerk	23,640
Cynthia Brown, Bookkeeper	23,654

- (1) Frank Brown was elected to this position at a special election on August 3, 1999.
- (2) Billie Malone served as Acting City Clerk until her termination in April 1999. Lashonda Howard was appointed as City Clerk on April 8, 1999.
- (3) James T. Jefferson served as Treasurer until August 1998. Rose Evans was appointed as Treasurer on August 15, 1998.
- (4) Jornel Williams served as Police Chief until July 1998. Linda Whitfield was appointed as Police Chief on July 31, 1998.

(5) Past due payments for services rendered in prior years have been included in this amount.

The city also employs approximately 41 full-time and 3 part-time employees.

Assessed valuation and tax rate information are as follows:

ASSESSED VALUATION	1999	1998
Real estate	\$ 7,628,939	7,662,729
Personal property	8,053,791	7,460,770
Total	\$ <u>15,682,730</u>	<u>15,123,499</u>

TAX RATES PER \$100 ASSESSED VALUATION		
General Fund	\$.60	.60

The city also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date
General	\$.01	None
Capital Improvement	.005	None

MANAGEMENT ADVISORY REPORT

CITY OF WELLSTON, MISSOURI
SUMMARY OF FINDINGS

1. Disbursement Procedures (pages 13-19)

Bids or proposals were not solicited or bid documentation was not retained for many purchases and the city did not obtain formal written agreements with companies or individuals providing services to the city. The City Council does not review invoices before approval of payment and supporting documentation was not adequate for some disbursements. The city purchased cellular phones and service for the personal benefit of some individuals, did not ensure all costs were reimbursed and did not establish policies over the use of the city's cellular phones.

2. Community Oriented Policing Services (COPS) Grant (pages 19-21)

The city's quarterly reports were not accurate and copies of some reports were not retained. During the period July 1997 through July 1999, the city over claimed approximately \$91,600 from the COPS grant due to various errors.

3. Senior Citizens Program (pages 21-23)

The city has taken over providing a lunch and transportation service to senior and disabled citizens, including persons outside city limits. During the two years ended June 30, 1999 and 1998, the city's net costs for this program were at least \$96,000 and \$81,000, respectively. It is unclear whether the city has the authority to provide the program or can afford it. Also, the city has not ensured that the fee charged to employees for meals obtained through the program is adequate or is always collected.

4. City Trash Service (pages 23-26)

The city has not identified all costs of this program to ensure the user fee is sufficient. The city has not taken adequate steps to ensure the timely collection of delinquent accounts and has not developed procedures to ensure all customers are billed. Controls and accounting records for trash service fees are not adequate.

5. Payroll and Personnel Policies and Procedures (pages 26-33)

The City Council established a benefits package for some elected officials which appears to violate the Missouri Constitution. Loans totaling approximately \$29,500, were made to some city officials and employees with unpaid balances totaling approximately \$6,700 as of June 30, 1999. The city does not have a formal written leave policy. The city failed to deposit federal payroll taxes timely, resulting in payment of penalties and interest totaling \$5,052. Some administrative employees were paid bonuses, and duties related to payroll are not adequately segregated. The city did not

properly pay or report all the wages and payroll taxes of one city employee when earned. City officials received raises during their term of office contrary to the Missouri Constitution.

6. Meetings, Minutes, Ordinances, and Records (pages 33-36)

The council meeting minutes are not signed by either the City Clerk or the Mayor, do not always adequately document matters discussed and actions taken, and are not maintained for closed meetings. The council minutes and the meeting agendas do not document the specific reasons for going into closed sessions, and "work sessions" held by the council are not open to the public, notice is not posted, and tentative agendas and minutes are not prepared. Improvement is needed in the organization and documentation of the city's ordinances. The city does not have a formal policy regarding public access to city records.

7. Budgets and Financial Reporting (pages 37-39)

The city's budget is not approved on a timely basis and is incomplete. The City Council does not periodically compare actual revenues and expenditures to the budgeted amounts and approved expenditures in excess of budgeted amounts during the year ended June 30, 1998. The city has not published semi-annual financial statements.

8. Restricted Funds (pages 39-40)

Capital improvement sales tax and motor vehicle-related monies are not accounted for properly.

9. Permits and Licenses (pages 41-42)

Some permits are not prenumbered and the city does not account for the numerical sequence of prenumbered licenses. In addition, the permit/license fee receipt slips are not reconciled to the number of each type of permit and license issued and the amount of fees deposited. The city assessed and collected incorrect license and permit fees and could not locate the stubs for manufacturer's licenses issued prior to March 1999.

10. Accounting Controls and Procedures (pages 42-48)

Monthly bank reconciliations are not prepared and balances are not maintained in the check registers. The city does not have an investment ledger to monitor certificate of deposit investments. Internal controls need to be improved for collections by the police department for vehicle releases, police reports, and bond fees. City receipt records are not reconciled to deposits, and numerous errors and omissions were noted during our review of the city's receipt and disbursement records. The city's petty cash fund is not maintained on an imprest basis. Bids were not obtained for the sale of city vehicles to city employees. Proper documentation was not maintained to show compliance with the city's contract with the Wellston Housing Authority.

11. Municipal Court Division (pages 49-57)

Bond monies totaling \$4,083 were received by the police department but not deposited into the city treasury. Neither the police department nor the court maintains adequate records to account for tickets assigned and issued, and the ultimate disposition. The amounts disbursed to the state for the Crime Victims Compensation fund and the Peace Officer Standards and Training Commission fees were not accurate. The Court Clerk could not locate some court cases requested for review and does not forward required records of convictions on traffic offenses to the Missouri State Highway Patrol. Also, the final disposition of each case is not always adequately documented on the court docket.

CITY OF WELLSTON, MISSOURI
MANAGEMENT ADVISORY REPORT

1. Disbursement Procedures

- A. The city's purchasing ordinance requires advertising for sealed competitive bids for all purchases of goods and services in an amount of \$1,000 or more. However, we noted bids or proposals were not solicited, or bid documentation was not retained, for many purchases. Following are some examples:

Air conditioner units	\$110,758
Car leases	94,294
Construction	82,580
Used police vehicles	42,000
Food and supplies	49,203
Tipping fees	38,090
Trucks	29,230
Uniform service	8,764
Playground material	6,959
Carnival	6,500
Computer upgrades	6,490
Engineering services	6,079
Vehicle repair	6,088
Clearing trees and debris	4,205
Computer purchases	4,140

While the Mayor indicated the lease purchase of the cars had been bid, no documentation could be located. Competitive bidding helps ensure the city receives fair value by contracting with the lowest and best bidders. Bidding helps ensure all parties are given an equal opportunity to participate in the city's business. In addition, complete documentation should be maintained of all bids received. If other than the lowest bid is selected, the reasons should be adequately documented.

This condition was also noted in our prior report.

- B. The city does not always obtain formal written agreements with companies or individuals providing services to the city. We noted the following examples of amounts paid during the period July 1997 through June 1999 for which there were no written agreements:

Accounting services	\$ 22,000
Legal services	14,236
Uniform service	8,764
Engineering services	6,079
Clearing trees and debris	4,205

Written contracts establish payment terms, clarify responsibilities and expectations of both parties, and help ensure the city receives the services it needs. Section 432.070, RSMo 1994, requires all contracts to be in writing. In addition, the city should compare invoices to contract terms to provide assurance the city is paying the appropriate amounts for services.

A similar condition was noted in our prior report.

- C. The City Council does not review invoices before approval of payment nor have they assigned someone independent of the check preparation and signing process to review the invoices. Although the Mayor and Treasurer review the invoices, they are also authorized to sign checks. In addition, there is no independent reconciliation of the invoices, approved listing of bills, and actual checks written.

Currently, a listing of accounts payable is presented to the council and approved, unless a specific invoice is questioned and reviewed. In addition, the council approves the monthly treasurer's report which reflects disbursements for the month. While the approval of the accounts payable list and treasurer's report is noted in the council minutes, the total dollar amount approved is not noted, nor are the listings conspicuously marked as approved by the council. We noted several disbursements which did not appear on the approved listing of accounts payable. In addition, transfers between accounts are not reflected on the listing presented to the council, nor are they always reflected on the monthly treasurer's report.

Good business practices require all disbursements to be closely scrutinized by the council or someone independent of the disbursement process and properly authorized. Failure to properly review all invoices and other supporting documentation, and to document authorization, increases the possibility of inappropriate disbursements occurring.

This condition was also noted in our prior report.

- D. During our review of disbursements, the following concerns were noted:

- 1) Documentation to support some disbursements was either inadequate or not available. Examples include the purchase of a dump truck (\$6,000), purchase of three used police cars (\$35,500), radio repairs (\$2,388), playground materials (\$6,959), and numerous reimbursements and cash advances to city officials,

employees, and other individuals for purchases or travel made on behalf of the city (\$6,320).

- 2) The bookkeeper often pays bills from monthly statements rather than detailed invoices. The city overpaid vendors in several instances because invoices were shown on more than one monthly statement. The city was apparently behind on its payments so, the vendors had listed the unpaid invoices again or had reflected the unpaid balance; however, the city paid the total of the two statements rather than the current balance. The vendors gave the city credit for these overpayments on the next monthly statement received.
- 3) The city has eight credit cards that are used primarily for city-related travel expenses and to order supplies by phone. Supporting documentation was either not submitted or not retained for several charges. In some instances, the person who charged the item had the supporting documentation rather than the City Bookkeeper who pays the bills.

Adequate supporting documentation should be retained for all credit card purchases and reconciled to credit card statements to ensure the propriety of the charges. Without adequate supporting documentation, the city cannot evaluate the necessity and reasonableness of credit card purchases.

All disbursements should be supported by detailed expense accounts, paid receipts, contracts, or vendor-provided invoices to ensure the obligations were actually incurred and the disbursements represent appropriate uses of public funds.

Similar conditions were noted in our prior report.

- E. Receipt of goods or services is not always indicated on the invoice prior to an expenditure being approved for payment. The documentation of the receipt of goods or services is necessary to ensure the city actually received the items or services being paid.

This condition was noted in our prior report.

- F. The city purchased fifteen cellular phones, some of which were to be used as city phones, and some of which were resold to city employees and another individual to be used as personal phones. The purchase price and phone bills for the personal phones initially are paid by the city and then reimbursed through payroll deduction for the employees, and through payments from the individual. Phone service is discontinued when employees leave city employment.

- 1) The purchase of the personal phones and service does not appear to be a necessary, proper, or prudent use of city monies. These purchases directly

benefited the employees and the individual but not the city, and additional bookkeeping was required. In addition, the city used its sales tax exempt status to benefit individuals.

Article VI, Section 23 of the Missouri Constitution provides that no political subdivision of the state shall lend its credit or grant public money or anything of value to or in aid of any corporation, association, or individual. In addition, the city should not allow such expenditures to be incurred using its sales tax-exempt status. Doing so violates the terms of the city's sales tax exemption letter.

- 2) The city is not billing the employees and the individual for the total cost of the personal phone service. The City Bookkeeper failed to properly charge each person for the total of their air time charges plus the basic monthly plan cost. For example, in May 1999, the city did not receive reimbursement for approximately \$232 for employees' personal phone bills.

In addition, the city has not received full reimbursement from the individual. At June 30, 1999, approximately \$2,100 in past due bills was owed to the city by this individual.

- 3) The city provides cellular phone service to the Mayor, the Police Chief, the police captain, the police shift supervisor, and the Parks and Recreation Department. The city does not have a formal policy regarding cellular phone usage. Cellular phone charges for May 1999 ranged from \$54 to \$530 for each of the city's five cellular phones.

Because of the significant cost of cellular phone service, the City Council should review the usage of the city's cellular phones to determine whether the city is receiving sufficient benefit for its cost. If the cellular phones are deemed necessary, a policy is needed to ensure that cellular phones are used only for reasonable business purposes. Such a policy should address which employees need a cellular phone, proper use of the phone, and a reimbursement policy if the council authorizes the phone to be used for personal matters. Procedures should be implemented to monitor cellular phone usage and review invoices for propriety.

WE RECOMMEND the City Council:

- A. Ensure bids are solicited for all applicable purchases in accordance with city ordinance. Documentation of the bidding process should be maintained in all cases. If the city believes that it is not practical to obtain bids on certain purchases, documentation explaining why bids were not obtained should be maintained.

- B. Obtain written agreements specifying terms of payment and the responsibilities of both parties for all services received. In addition, the council should ensure invoices are compared to contract terms.
- C. Ensure detailed and complete listings of bills are prepared, that the council's approval is reflected on the listing, and that the listing is retained. In addition, either the council or someone independent of the check preparation and signing process should review the invoices. Approved listings of bills should also be compared to checks written.
- D. Ensure all disbursements are supported by paid receipts and/or vendor-provided invoices which contain an adequate description of the goods and services received. All cash advances should be properly accounted for and the unused balances, if any, should be promptly returned to the city. In addition, the city needs to develop procedures to ensure invoices are not paid twice.
- E. Ensure the receipt of goods or services is indicated on invoices prior to being approved for payment.
- F.1. Cease paying for personal phone service and refrain from purchasing items for the personal use of individuals and employees.
 - 2. Ensure the entire cost of personal phone service is billed and seek reimbursement for the unpaid phone bills.
 - 3. Determine whether the cellular phones are cost beneficial. If the city continues to pay for the phone usage, develop a policy regarding the use of cellular phones including an assessment of which employees need a cellular phone and procedures to monitor their use.

AUDITEE'S RESPONSE

- A. *The City Council has determined to investigate enacting modifications to its current bidding requirements in order to modernize its procurement process. In any event, the City Council has directed the Mayor, the City Clerk and other appropriate officials and employees to implement internal control systems to verify and ensure that bids are solicited for all applicable purchases in accordance with all applicable requirements. The City Council has also determined to direct the Mayor, the City Clerk and other appropriate officials and employees to anticipate the city's needs in various categories of goods and services in a given fiscal year. If such needs in the aggregate are greater than a certain dollar value, the City Council has directed that the city conduct a solicitation process to meet its annual needs. In addition, the city has recently upgraded its staff, which will position the city to maintain full documentation of its contracting matters. The City Council has established a committee to oversee this activity.*

- B. *The City Council has directed the Mayor, the City Clerk and other appropriate officials and employees to implement procedures that will verify and ensure that the city obtains and maintains written agreement specifying the terms of payment and the responsibilities of both parties for all goods and services received by the city. In addition, the City Council has determined that the Treasurer of the city (or a designee of the Treasurer acceptable to the City Council) and the members of a City Council committee will compare actual invoices to the terms of the contract to verify and ensure that the provisions of the contract have been adhered to by the parties to the contract. Furthermore, expenditures associated with each contract will be compared to the city's annual budget. Recent staff upgrades will assist the city in meeting its goals and obligations.*
- C. *The City Council has directed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to prepare and/or collect (1) a detailed and complete listing of all receipts and/or vendor-provided invoices containing adequate descriptions of goods and services received by the city; (2) a copy of each invoice; and (3) a copy of each check written by the city to pay such invoice. The City Council has directed that all such documents be submitted to the City Council in advance of meetings of the City Council, together with a certificate of the Treasurer, stating that the copies being submitted to the City Council conform to the originals. The members of the City Council will review all of these items in advance of any approval of any expenditures. In addition, members of a City Council committee will periodically inspect the originals of these documents to verify and ensure that the original documents conform to the copies submitted to the City Council.*
- D. *As discussed in the response to MAR No. 1(C), receipts and/or vendor-provided invoices containing adequate descriptions of goods and services received by the city will be required by the City Council prior to any approval of any payment to such vendors. In addition, cash advances will be subject to the prior approval of the City Council, and are required to be properly accounted for with any unused balances promptly returned to the city. The City Council has also directed its staff to implement procedures and install necessary computer software enhancements that will verify and ensure that no invoice is paid twice. The members of a City Council committee will monitor this activity.*
- E. *With the exception of certain limited circumstances such as retainers or down payments, the City Council has directed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to implement procedures ensuring that the receipt of goods or services is indicated on invoices prior to submitting such invoices for goods or services to the City Council for payment approval. Members of a City Council committee will monitor this activity.*
- F.1. *The City Council has directed that the city discontinue paying for personal phone service and purchasing items for personal use by individuals and employees. The members of a City Council committee will monitor this activity.*

2. *The city has already implemented billing procedures to verify and ensure that the entire cost of personal phone service is billed to the individual receiving the phone service, rather than to the city and to receive reimbursement for unpaid phone bills from individual users. The City Council intends to cause the city to vigorously seek such reimbursement and intends to seek appropriate legal proceedings in the event that the individuals do not make prompt settlement with the city. The members of a City Council committee will monitor this activity.*
3. *The City Council has directed the Mayor and staff to conduct a cost-benefit analysis of the use of cellular phones by officials and employees of the city at the expense of the city. In the event that this study concludes that the continued use of cellular phones by certain city officials and employees is in the best interest of the city, the City Council has further directed the Mayor and staff to design detailed and official policies regarding the use of cellular phones, including an assessment of which employees and/or officials require a cellular phone and procedures to monitor the use of the phones. Such policies will be submitted to the City Council for its approval. In any event, the members of a City Council committee will monitor this activity.*

2.

Community Oriented Policing Services (COPS) Grant

The city receives federal financial assistance from the U. S. Department of Justice under the COPS Universal Hiring program to increase the number of law enforcement officers. In December 1995, the city received a grant award of \$991,293 to hire fifteen additional full-time officers to supplement the six city-funded officers already employed at that time. Under the grant provisions, the city was required to provide 25 percent of the cost of employing the additional officers until the grant expired on November 30, 1998 as well as continuing to pay the entire cost of the six city-funded officers already on staff. The city has received an extension of the grant until November 30, 2001.

A. The Police Department receives a payroll listing from the City Bookkeeper each month which lists the wages paid each police officer for each pay period. The Police Department uses the amounts shown on these listings to prepare their reimbursement request. During our review of various reimbursement requests, we noted the following problems:

- 1) During the period July 1997 through July 1999, individual salaries claimed for some officers exceeded the maximum salary allowable by the COPS program. Also, from July 1997 through June 1998, the city occasionally claimed salaries for more than the fifteen officers allowed by the COPS program. In addition, from July 1998 through July 1999, the city filed claims and received reimbursement based on 75 percent of the total amount paid to all officers employed by the city instead of just the additional grant-funded officers.

The city incorrectly received at least \$131,908 for reimbursement of these excess, unallowable salaries.

- 2) During the period July 1998 through July 1999, the city did not include the fringe benefits paid to the qualifying officers on the reimbursement requests. The city claimed only the annual salaries paid to the officers although the approved budget allows reimbursement the city's share of FICA, health insurance, life insurance, worker's compensation insurance, and unemployment insurance. In addition, prior to July 1998, the city claimed reimbursement for the employee's share of some items rather than the city's share as allowed. Based on the fringe benefits allowed per the approved grant budget, the city could have apparently claimed approximately an additional \$46,121 for fringe benefits between July 1, 1997 and July 30, 1999.
- 3) Payroll listings prepared by the City Bookkeeper were not accurate and included costs which are not allowable under the COPS program. In addition, there were errors in amounts recorded on the payroll listings, amounts included for officers who were not paid for that pay period, and amounts paid for officers which were not recorded. Compensation for overtime was included on the payroll listings and claimed for reimbursement which is not an allowable cost of the program. The city incorrectly overclaimed approximately \$5,775 due to these various errors.

The city should recalculate and correct prior reimbursement claims. It appears the city has over claimed approximately \$91,562 during the period July 1997 through July 1999.

The city hired a certified public accounting (CPA) firm to review the COPS program for the period November 1995 through June 1997. The CPA's report indicated the city had under billed the COPS grant during that period, claiming more than the maximum salaries allowable but failing to bill for fringe benefits. The city did file an amended claim and receive the prior amount noted as under billed by the CPA report, but has not improved its procedures in filing claims.

- B. The grant requires the city to submit quarterly reports detailing the monies spent and the breakdown between amounts paid with federal funds and local funds. The city's quarterly report for the period ended September 30, 1998 indicated the total accumulated federal share of outlays was \$385,596. The city had actually claimed and received approximately \$375,600 in federal reimbursements as of that date. In addition, copies of quarterly reports prepared since September 1998, were not maintained by the city.

The city should prepare complete and accurate records of all allowable salary and fringe benefit expenses and prepare and retain accurate quarterly financial status reports. The city should request reimbursement for only actual and allowable expenses incurred, less the required amount of

matching funds, in accordance with the grant agreement. The City Council should contact the applicable federal grantor agency to resolve these issues.

WE RECOMMEND the City Council ensure city personnel prepare and retain accurate quarterly financial reports for the COPS grant, and ensure reimbursement is requested only for allowable actual expenditures. The city should recalculate and correct prior reimbursement claims and repay any excess reimbursements.

AUDITEE'S RESPONSE

The City Council has directed the Mayor, the Treasurer, the Chief of Police, the Bookkeeper and other appropriate officials and employees to (1) prepare accurate quarterly financial reports for the COPS grant; (2) verify and ensure that reimbursement is requested only for allowable actual expenditures under the COPS program; (3) recalculate and correct prior reimbursement claims and repay any excess reimbursements; and (4) identify sources of funds if repayment is required. This process will be enhanced by the involvement of the outside independent public accountant that the city intends to retain to assist with its accounting control procedures. The City Council has instructed the Mayor, the City Clerk and other appropriate officials and employees to solicit bids for auditing services for the city. The requested services will include providing assistance to the city in responding to the City Council's directives described in this audit. Members of a City Council committee will monitor this activity.

3.

Senior Citizens Program

The city's Parks and Recreation Department operates a program which provides lunch and transportation services to senior and disabled citizens of Wellston and surrounding cities. The city provides transportation to the community center where lunch is served, delivers home meals to eligible persons who cannot come into the community center, and provides transportation to shopping malls, doctors' offices, etc. The city receives some small reimbursement from the Missouri Department of Transportation for transporting the citizens. However, during the years ended June 30, 1999 and 1998, the city's net costs for this program were at least \$96,000 and \$81,000, respectively. These costs include the purchase of food and supplies, the city's portion of the purchase of a van, and estimated payroll costs for Parks and Recreation Department employees who work on the program. The city has not identified other costs related to this program, such as gasoline and vehicle maintenance, administrative overhead, and community center operating costs.

- A. Prior to July 1997, this program was handled by the Mid-East Council of Aging (MECA). The MECA rented the community center from the city of Wellston and provided the meals for the citizens. In addition, the MECA paid the city of Wellston to transport citizens from Wellston and surrounding cities to their program. In July 1997, the former mayor refused to allow MECA to continue operation of this program at the city's community center, and

the city took over this program. There was no documentation available to indicate the City Council reviewed the costs of this program prior to taking it over from the MECA. In addition, the city is still serving basically the same geographical area the MECA program covered, although some of the participants are from outside the city limits. The surrounding cities do not contribute to this program although their citizens participate.

Participation in this program is not conditioned on financial need. The city's authority or the municipal purpose to sponsor such a program has not been researched and documented. This program does not appear to be a necessary cost of operating the city and constitutes a questionable use of public funds. The city's residents have placed a fiduciary trust in their public officials to expend tax revenues and fees in a necessary and prudent manner.

- B. City employees are allowed to eat lunch through this program at a cost of \$2 per meal. While the program supervisor indicated some employees eat each day, records of the number of employees eating meals are not maintained. The City Bookkeeper, who is to receive these payments, does not maintain records of amounts paid by the employees; thus, the city cannot be assured all employees pay for their meals. The City Bookkeeper indicated city employees had not paid her anything recently. Also, there is no documentation that the city has reviewed this program to ensure the \$2 fee is adequate to recover its costs.

In addition, while the city recommends a \$.75 donation from citizens to obtain a meal, the supervisor indicated they had not received any donations since the city took over this program. However, the city's records are inadequate to verify this. To provide assurance all monies are properly collected, recorded, and deposited, the city should develop appropriate records and perform a reconciliation between the number of participants making donations and the amount collected.

WE RECOMMEND the City Council:

- A. Review the senior citizens program to ensure expenditures are within the city's authority and necessary to properly operate the city. In addition, the City Council should evaluate the benefits of this program to ensure the city can afford to provide this service. If continued, the City Council should consider limiting this program to Wellston residents or approaching the surrounding cities for contributions to the program and condition participation in the program on financial need.
- B. Require adequate records be maintained to ensure monies collected for meals are properly handled and recorded, and that employees pay for the meals eaten. In addition, the city should review the costs of this program to ensure the \$2 fee is adequate to recover the city's costs.

AUDITEE'S RESPONSE

- A. *The City Council has directed the Mayor and staff to expand upon current efforts on the part of the city to restructure the senior citizens' program. To date, the city has been unsuccessful in re-securing a contractual arrangement with Mid-East Council for Aging to administer the senior citizens' program at no expense to the city. The restructuring efforts include investigating the following alternatives: (1) bussing the seniors to a near-by facility to obtain necessary services and discontinuing providing such services in the city; (2) requiring the demonstration of financial need from all seniors who participate in the program as a precondition to using the services provided by the city; (3) contracting with an outside vendor to provide the services at the city; and/or (4) seeking payments from neighboring communities whose citizens participate in the program at the city. Members of a City Council committee will monitor the city's progress in this area.*
- B. *The City Council has directed the Mayor and staff to prepare and maintain adequate records to verify and ensure that all monies collected for senior citizens' meals are properly handled and recorded, and that employees pay for all meals eaten. Such records will include the maintenance of an employee log book to document the use by employees of the lunch program. In addition, the City Council has directed the Mayor and staff to review the costs of this program to verify and ensure the \$2 fee currently paid by participating employees is adequate to recover the city's actual costs and to make a recommendation to the City Council based upon this review. The independent certified public accountant that the city expects to retain will provide assistance to the city in connection with this activity (see the response to MAR No. 2 for more details on the role of the accountant).*

4.

City Trash Service

The city provides trash service to approximately 500 customers. The city contracted out this service prior to July 1997, when they began operating the service themselves.

- A. The city charges residents a quarterly fee of \$21 for trash service. The city has purchased a trash truck and utilizes city personnel to provide trash collection services. In addition, the city pays fees to dispose of the trash collected. During the years ended June 30, 1999 and 1998, the city collected approximately \$24,000 and \$37,000, respectively, in trash fees and incurred costs of at least \$60,000 and \$44,000, respectively for the purchase of a truck, estimated salary costs, and fees to dispose of the trash. The city has not identified any other costs, such as administrative costs, related to trash service. In addition, trash service fees are deposited into the city's general account and there is no separate accounting for trash service expenditures. Trash service revenues represent user fees which should be established to cover the cost of providing trash service.

The costs of providing this service should be calculated and documented and a separate accounting of trash revenues and expenses should be maintained. In addition, the city should evaluate the current financial condition of the city, the costs to the city for this program and the amount of General Fund subsidies required, and determine if rates need to be raised or whether the city can afford to subsidize this service to residents.

- B. The city has not taken adequate steps to ensure the timely collection of delinquent accounts. According to city personnel, numerous customers had delinquent trash bills at June 30, 1999. The former City Clerk indicated some customers had been delinquent for more than a year.

The City Council has not adopted a formal policy regarding delinquent trash charges. Also, the city has not established procedures to compare customers receiving trash service to billing records to ensure all customers are billed. City personnel indicated some customers had apparently been deleted from the billing files and not billed even though they were still receiving trash service.

The city needs to take action to improve its collection of delinquent trash accounts, including passing ordinances to establish delinquent penalties and comparing customers receiving trash service to customers billed. By not adequately pursuing delinquent trash accounts and billing all customers, revenues are lost for the city.

- C. The City Clerk's office handles billing and collecting the trash fees. A prenumbered receipt slip is issued for all payments. The City Clerk posts payments to a manual trash ledger and to a computerized billing system.

- 1) The City Clerk is responsible for preparing the trash bills, collecting the payments, and maintaining a trash ledger to document this activity. No independent review or oversight is performed over these duties.

An independent review of the trash records should be performed periodically to ensure the billing and collection functions are handled appropriately.

- 2) Monthly reconciliations of total trash billings, payments received, and unpaid amounts are not performed.

Monthly reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, and errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliation should be retained to support any corrections made and to facilitate independent reviews.

- 3) The trash records maintained by the City Clerk are not adequate. The City Clerk records payments to the manual trash ledger and the computerized billing system. The manual trash ledger shows payments only, while the computerized billing system shows the amounts billed and paid in the current quarter only. The city does not maintain records which show a history of amounts billed. In addition, there were numerous errors in the manual trash ledger and the computerized system. The trash records were so poor, the actual amount of delinquencies could not be determined.

The City Council should develop improved trash records to allow month-end trash fee receivable balances to be reconciled to the beginning accounts receivable balance, billings, collections and other adjustments for the month.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receipting and depositing monies from that of preparing bills, recording payments, and following up on delinquent accounts. If a proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliations between trash payments recorded and deposited, and an independent review and approval of delinquent account follow-up. In addition, adequately detailed trash records should be maintained and all activity should be recorded promptly and accurately.

WE RECOMMEND the City Council:

- A. Identify all costs, including administrative costs and other labor, of providing trash service, and consider setting the user fee to cover the cost of the service. In addition, the council should maintain a separate accounting of all trash revenues and expenses.
- B. Adopt a formal policy regarding collection of delinquent trash bills including establishing delinquent charges and ensure all customers receiving trash service are properly billed.
- C. Develop improved trash records, ensure all records are accurately posted, and ensure beginning and ending accounts receivables balances are reconciled on a monthly basis using the billings, collections and billing adjustments during that month. Any differences which cannot be accounted for should be immediately investigated. In addition, the City Council should ensure an independent review of the utility billing and collection functions and related records is performed periodically.

AUDITEE'S RESPONSE

- A. *The city has directed the Mayor and staff to identify all costs, including, without limitation, administrative and labor costs of providing trash service to residents of the city. Based upon the information that the City Council obtains from this study, the City Council will consider*

establishing an appropriate user fee to cover the cost of the service. In the alternative, the City Council has directed the Mayor to issue a request for proposals to trash companies for purposes of determining if it would be in the best interest of the citizens of the city for the city to employ the services of a third-party vendor to provide for trash collection. In addition, the City Council has directed the Mayor, the Treasurer and the Bookkeeper to maintain a separate accounting of all trash revenues and expenses and to report the same to the City Council for its review and approval in connection with all future reports of the Treasurer. This process will be enhanced by the involvement of the outside independent public accountant that the city intends to retain to assist with its accounting control procedures (see the response to MAR No. 2 for more details on the role of the accountant).

- B. The City Council has directed the City Clerk to formalize the city's delinquent trash collection policies and to submit the same to the City Council in written form for its approval. The City Council has also instructed the City Clerk to verify and ensure that all customers receiving trash services are properly billed, and that the Treasurer and the members of a City Council committee monitor the City Clerk's collection and billing efforts. Recent personnel upgrades in the office of the City Clerk will assist the city in its efforts. This process will also be enhanced by the involvement of the outside independent public accountant that the city intends to retain to assist with its accounting control procedures (see the response to MAR No. 2 for more details on the role of the accountant).*
- C. The City Council has instructed the City Clerk to develop improved trash services records, verify and ensure that all records are accurately posted, and verify and ensure that the beginning and ending accounts receivable balances are reconciled on a monthly basis and take into account the billings, collections and billing adjustments during that month. The City Council has further directed the City Clerk immediately to investigate any unaccounted for variances. In addition, the City Council has assigned to the Treasurer the responsibility of independently reviewing the utility billing and collection functions and related records on a periodic basis. The members of a City Council committee will also independently review the trash collection system. This process will be enhanced by the involvement of the outside independent public accountant that the city intends to retain to assist with its accounting control procedures (see the response to MAR No. 2 for more details on the role of the accountant).*

5.

Payroll and Personnel Policies and Procedures

- A. On August 26, 1997, the City Council established a benefits package for the mayor, treasurer, and the council members. The council transferred \$80,000 from city funds to a certificate of deposit to pay for future benefits. The benefit package has a death benefit and a severance benefit. The death benefit pays \$10,000 to the beneficiary of a city official who dies while holding office. The severance benefit pays \$10,000 to city officials having been an official for a period of at least 10 continuous years who cease to be a city

official for any reason other than death or cause. The ordinance does not define the term "for cause".

There was no documentation that the council had planned for or defined such issues as the sources of the required future funding, a projection of the timing of potential payments, or whether the amount currently set aside was adequate or excessive based on length of service of the current officials. In addition, the city ordinance does not address the issue of whether the officials in office when the ordinance was passed would be eligible to participate in this new benefit. However, as of June 1999, the city had made a payment of \$10,000 to former Mayor Robert Powell, and a payment of \$10,000 to former councilwoman Helen Robinson, who resigned after serving the city for more than the required ten years. The Mayor indicated there were only two additional city officials who could qualify for payments in the near future. The city does not maintain documentation of the number of years the various city officials have served the city.

Parts of the benefit package look like a retirement plan, which the city is prohibited from establishing by state law. However, the most significant problem appears to be the increase in compensation or benefits during the term for which an officer is elected or appointed, which is prohibited by Article VII, Section 13, of the Missouri Constitution. Retroactive compensation for services previously rendered is in violation of Article III, Section 39 of the Missouri Constitution. If the city determines the package is allowed by state law and elects to continue the package for future terms and years of service, it should ensure the city can fund such a package, by clearly documenting the sources and projected amounts of required future funding. In addition, the City Council should review the payment made from the benefit package to the former Mayor. While city records are not clear on this matter, it appears the city had begun, and later rescinded, actions to impeach the former Mayor and reassign his mayoral duties. There also was apparently some related litigation between the city and the former Mayor, who then resigned. These circumstances would appear to be for "cause" and thus a possible exception per the city ordinance.

- B. During the period October 1995 through April 1998, loans were made to some city officials and employees totaling approximately \$29,500. City personnel indicated the former mayor allowed individuals to obtain the loans and repay the city through payroll deductions. The employees were required to sign a contract indicating that they would continue to make these payments if they left city employment; however, there are several past and current employees with unpaid balances totaling approximately \$6,700 as of June 30, 1999. In addition, the city did not appear to attempt to withhold any unpaid balance from the five former employees' final paycheck. It would appear these payments are in fact interest free loans to employees. These loans were sometimes used to purchase vehicles from the city (see MAR 10. G.).

Also, since June 1999 the Mayor received his payroll checks from two to six weeks in advance of the dates earned.

Such payments would appear to violate Article VI, Section 23 of the Missouri Constitution which prohibits any political subdivision of the state from granting or lending money to an individual. In addition, it is not prudent for a city to compensate officials or employees in advance. Doing so could result in the city paying an individual for services not performed.

- C. The city did not properly pay or report all the wages and related payroll taxes of the city's environmentalist when earned. During the year ended December 31, 1998, the environmentalist earned approximately \$19,308; however, he was paid only \$14,187 of that total during that year. The remaining \$5,121 and related payroll taxes was paid in January, February and March 1999, along with his regular salary for those months. Likewise, through November 1, 1999 this employee had earned approximately \$17,925 for calendar year 1999, but had been paid only \$11,950 of that amount. It appears the city planned to again pay the balance during calendar year 2000. City officials and the employee indicated the pay was held until the following year so the employee's earnings would not exceed the maximum amount allowed before affecting the social security benefits he was receiving.

Besides manipulating the employee's allowable social security benefits, these actions may also have income tax implications. The city should pay and report all employee wages and payroll taxes through its normal payroll process when earned.

- D. The city does not have a formal written policy for overtime and compensatory time or vacation and sick leave. In addition, no leave records are maintained for the police department. While the City Bookkeeper keeps a listing of vacation, sick leave, and compensatory time earned, taken, and accumulated for all other employees, these record are not accurate. Entries on the listings did not always agree to payroll records documenting payment for vacation or compensatory time. As a result, the former City Clerk was compensated for forty hours of vacation leave when she was terminated for which she had already received payment and the City Bookkeeper has been compensated for more leave than she has accumulated.

Formal written policies should be established to ensure employees adhere to the intent of the council and to avoid any misunderstandings. In addition, accurate documentation of vacation, sick leave, and compensatory time earned, taken, and accumulated is necessary to ensure employees are properly compensated for accumulated leave and to ensure leave time used is not in excess of time accumulated.

A similar condition was noted in our prior report.

- E. The city failed to deposit federal payroll taxes timely and was assessed penalties and interest. During the period July 1, 1997 to June 30, 1999 three payments of penalties and interest were made totaling \$5,052. Timely deposits of tax withholdings are required by law and would prevent unnecessary penalty and interest charges.
- F. Sixteen administrative employees were each paid \$50 as Christmas bonuses in December 1997. In addition, on October 20, 1997, the city paid \$2,600 to the former Mayor. The City Bookkeeper indicated she was told to pay the former Mayor for several months at the beginning of his term which he had served with no pay. There is no documentation to support the propriety of this payment.

The bonuses and the payment to the former Mayor appear to represent additional compensation for services previously rendered and violate Article III, Section 39 of the Missouri Constitution. Attorney General's Opinion No. 72, 1955 to Pray, states ". . . a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

- G. Duties related to payroll are not adequately segregated and are not reviewed by someone independent of the payroll process. The City Bookkeeper performs all payroll calculations, maintains the payroll register, prepares the payroll checks, prepares tax reports, and generates W-2 forms for employees. We noted the following additional concerns:

- 1) The 1998 W-2's did not appear to be correct for eight of the sixteen employees reviewed. The City Bookkeeper's W-2 reflected approximately \$5,000 less than her actual gross salary for the year. The City Bookkeeper indicated these errors were partially due to their use of three different payroll systems in 1998, and problems with their current payroll system. The Bookkeeper generates manual checks occasionally due to problems with the computerized payroll system. It appears these manual checks were not properly reflected on the W-2 forms.
- 2) The payroll registers are not accurate. The city utilized three payroll systems between July 1, 1997 and June 30, 1999. Until June 1998, payroll was done manually by the City Bookkeeper. The city then used an outside payroll service from June 1998 through September 1998 and in October 1998 the city began using a payroll software package.

The payroll registers prepared by the City Bookkeeper under both the manual and current computerized payroll systems did not include some checks written and included some incorrect information as compared to the actual checks generated.

In addition, the employee's share of the social security tax was calculated incorrectly for the City Bookkeeper and the former City Clerk under the manual payroll system and the City Bookkeeper's social security withholding was calculated at \$20 less than required each pay period by the current computerized payroll program.

- 3) Payroll deductions were discontinued prior to the repayment of the City Bookkeeper's loan. In April 1997, the City Bookkeeper received a loan of \$2,000. Payroll deductions to repay this loan ceased after November 1997 although there remained an outstanding balance of \$875. In addition, the City Bookkeeper received additional loans of \$250 and \$500 on April 15, 1998 and April 1, 1998, respectively. Deductions of \$375 were taken in the next pay periods but no further deductions were made. Therefore, it appears the Bookkeeper owes approximately \$1,250 to the city for past loans.

Payroll calculations should be reviewed periodically by someone independent of the payroll process to ensure amounts paid are correct and in accordance with approved salary or hourly rates. This review could be performed by the Mayor, a city council member, or the City Clerk. In addition, the city should file amended W-2 forms for 1998 which reflect the actual salaries and withholdings for individuals, and ensure the City Bookkeeper repays the remaining amount due on her loans.

- H. Some city officials improperly received raises within their term of office. The Mayor and the City Council begin their terms of office in April of the year following their election. City ordinances establish the term of office for the City Clerk as one year, and the Treasurer and Police Chief as two years; however, these ordinances do not clearly indicate when the terms begin. In July 1999, with approval of the fiscal year 2000 budget, various city officials and employees received pay raises.

The City Bookkeeper prepared a preliminary proposed budget document for the Council to consider during the budget process. Salaries for elected and appointed officials were shown as a salary range and salaries for other city employees were not reflected individually. Through the budget hearing process, the Council apparently decided to grant various raises, some of which were in excess of the ranges shown on the preliminary budget document. City Council members indicated they had approved increasing their salaries from \$575 to \$625 per month, the Mayor's salary from \$2,261 to \$2,500 per month, and the Treasurer's salary from \$450 to \$500 per month. The City Bookkeeper indicated the Council also voted to increase the City Clerk's salary \$.50 per hour, and the Police Chief's salary \$1 per hour. However, these raises approved by the Council were not documented. No final budget document incorporating changes approved by the Council was prepared and signed, the ordinance adopting the budget did not specifically address the amounts approved, nor did the minutes of the budget hearings include documentation of the specific raises discussed and approved. In addition, since July 1999,

the Mayor has actually been receiving \$3,000 per month, which is \$500 per month more than the raise the Council members said they approved.

Article VII, Section 13 of the Missouri Constitution states that compensation to municipal officers shall not be increased during a term of office. In addition, Section 79.270, RSMo 1994, states the city council shall fix the compensation of all city officials and employees by ordinance, but the salary of an official shall not be changed during the term for which he was elected or appointed. Compensation rates set by ordinance, in addition to meeting statutory requirements, document the approved amounts to be paid and reduce potential misunderstandings regarding the amount of pay each elected and appointed city official and employee is to receive.

WE RECOMMEND the City Council:

- A. Review this situation with legal counsel and take appropriate action.
- B. Discontinue the practice of paying officials or employees in advance.
- C. Ensure all employee wages and payroll taxes are paid and reported when earned. In addition, the city should consult with the City Attorney, and ensure the total amount earned each year is reported to the Social Security Administration and the Internal Revenue Service.
- D. Establish formal written policies for overtime and compensatory time and vacation, holiday, and sick leave. Records of vacation, sick leave, and compensatory time should be maintained in a manner that provides a complete, accurate record of the amount of time earned, taken and any accumulated balances.
- E. Ensure payroll taxes are deposited timely to avoid unnecessary penalties and interest charges.
- F. Refrain from paying Christmas bonuses and paying employees for past services.
- G. Ensure that payroll calculations are periodically reviewed by someone independent of the payroll process. In addition, the Council should ensure amended W-2 forms are filed for 1998 and the City Bookkeeper repays the \$1,250 owed on her loans.
- H. Establish by ordinance the salaries or pay rates and applicable terms of office for all officials and employees, and ensure changes to these officials' compensation do not occur during a term of office, in accordance with state law. Any increases received during a term of office or not approved by the board should be reimbursed to the city.

AUDITEE'S RESPONSE

- A. *For clarification, we note that the Wellston benefit ordinance was enacted in 1997 during a period of much controversy on the City Council. Further, the former Mayor of the city was not impeached by the city. Instead, the City Council was considering impeachment. The former Mayor instituted litigation against the city, and the city counter-claimed.*

Payments made pursuant to the plan were conditioned on the recipients' retirement from and agreement not to run for office in the city and were intended to be in the nature of a settlement of ongoing disputes with the city. The former Mayor resigned as a part of a settlement with the city. The other person receiving benefits also had disputes with the city and resigned. Neither of these individuals receiving payments voted on the ordinance that authorized the benefit program. Since the benefit payments were made upon retirement from office and were in the nature of a settlement, they do not constitute "an increase in compensation" during a term of office. The current City Council members are all serving a new term of office since the benefit ordinance was adopted and received no payments under the benefit ordinance during the term of office when it was adopted.

Notwithstanding the foregoing, the City Council has directed the Mayor, the City Clerk and other appropriate officials and employees to confer with legal counsel to discuss the legality of the city's benefit package and to make any appropriate recommendations to the City Council for any appropriate modifications to the plan. The City Council is committed to directing the affairs of the city in a fashion consistent with the requirements of law, and will work with legal counsel to implement this philosophy on this matter. To the extent that the city elects to maintain this program, the city will include in its annual budget sources for the payment of any potential amounts under this program.

- B. *The City Council has directed that no officials or employees of the city will be paid in advance of the scheduled pay dates. The City Council has also implemented procedures to verify and ensure that such practices will not occur in the future. The City Council will monitor compliance with this matter.*
- C. *The City Council has directed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees of the city to implement procedures that ensure that all employee wages and payroll taxes are paid and reported when earned through the city's normal payroll process. In addition, the City Council has directed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees of the city to consult with the City Attorney, the Social Security Administration and the Internal Revenue Service regarding any liability to the city. The city's engagement of an independent certified public accountant will provide needed resources and assistance to the City Council in meeting its objectives (for more information, see the response to MAR No. 2). A committee of the City Council will monitor compliance with this directive.*
- D. *The City Council adopted a comprehensive employee handbook effective July 8, 1999 covering the terms and conditions of employment with the city. This handbook establishes*

extensive formal written policies for, among other matters, overtime, compensatory time, vacation, holiday and sick leave. In connection with the adoption of this handbook, the City Council directed the Mayor, the Chief of Police and other appropriate officials and employees to maintain adequate records of vacation, sick leave and compensatory time in a manner that provides a complete, accurate record of the amount of time earned, taken and any accumulated balances. This process will be enhanced by the involvement of the outside independent public accountant that the city intends to retain to assist with its accounting control procedures (see the response to MAR No. 2 for more details on the role of the accountant). The City Council will monitor compliance with its directives.

- E. The City Council has directed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to implement methods to verify and ensure that payroll taxes are deposited timely to avoid unnecessary penalties and interest charges. The City Council has also directed staff to investigate and implement with the approval of the City Council an electronic transfer service to provide for the payment of payroll taxes. The City Council recognizes that the city is holding payroll taxes only as trustee and that it is not free to use such amounts for the benefit of the city. This process will be enhanced by the involvement of the outside independent public accountant that the city intends to retain to assist with its accounting control procedures (see the response to MAR No. 2 for more details on the role of the accountant). The City Council will monitor compliance with its directives.*
- F. The City Council has instructed the Mayor and other appropriate officials and employees to refrain from paying Christmas bonuses and paying employees for past services. The City Council will monitor compliance with its directives.*
- G. The City Council has instructed the Mayor and other appropriate officials and employees of the city to verify and ensure that payroll calculations are periodically reviewed by the Treasurer, members of a City Council committee and by an independent certified public accountant (see the response to MAR No. 2 for more details on the role of the accountant). In addition, the City Council has directed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees of the city to implement procedures to verify and ensure that amended W-2 forms are filed with appropriate taxing authorities for 1998, and that any and all city officials and/or employees repay any and all amounts owed to the city for loans from the city. The City Council will monitor compliance with its directives.*
- H. The City Council has directed the Mayor, the Treasurer, the Bookkeeper, and other appropriate officials and employees of the city to study and make recommendations to the City Council regarding appropriate legislative changes to establish salaries or pay rates and applicable terms of office (including the date(s) of commencement of such terms) for all officials and employees, and to ensure that changes in compensation do not occur during a term of office and that salaries are within the amounts established pursuant to the city's budget, all in full compliance with applicable law. In addition, the City Council and the Mayor have determined to adjust current compensation to the members of the City Council,*

the Mayor and other appropriate officials and employees of the city back to the rate in existence on the date that such person assumed office and to return to the city any amounts already paid to such persons in excess of such amounts. Further, the City Council intends to consider adopting appropriate ordinances to implement appropriate compensation increases for city officials and employees to become effective during future terms of office in compliance with applicable legal requirements. Refinements in the city's budget-making procedures and the implementation of greater internal accounting controls will enhance the city's ability to meet this directive of the City Council. The city's engagement of an independent certified public accountant will provide needed resources and assistance to the City Council in meeting its objectives (for more information, see the response to MAR No. 2). A committee of the City Council will monitor compliance with this directive.

AUDITOR'S COMMENT

- A. We have seen no documentation of the settlement agreements referred to above. However, if these payments were intended as settlements of litigation or other disputes, such payments would not appear to have been allowable under the eligibility criteria established by the benefit package ordinance and if paid, should have come from other city funds. If these payments are characterized simply as 'payments upon retirement', they would appear to have included payment for prior years of service and their legality would be questionable, as discussed in the MAR.

Regarding the effect on current council members, the issue is not only whether they received a payment from the package during the term of office in which it was adopted, but also whether years of service prior to and including the term of office during which it was adopted will be included for the purposes of determining the eligibility for payments in the future. Inclusion of such years of service would not appear to be proper.

6. Meetings, Minutes, Ordinances, and Records

- A. The council meeting minutes are prepared by the City Clerk but are not signed by either the City Clerk or the Mayor. The council minutes should be signed by the City Clerk as preparer and by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the council's meetings.

In addition, we noted the files of meeting minutes were poorly organized, and some minutes could not be located. To ensure council actions are properly documented, all minutes should be maintained and filed in an organized manner.

This condition was noted in our prior report.

- B. The council meeting minutes do not always adequately document matters discussed and actions taken. There were numerous instances where the minutes indicated that a decision

or appointment of an official was made but did not indicate the number of votes for and against the particular issue. In addition, the minutes do not always clearly indicate the reason a bid was selected which was not the low bid.

Section 610.020, RSMo Cum. Supp. 1999, states that the minutes shall include the date, time, place, members present, members absent, and a record of votes taken. Complete and accurate minutes provide an official record of council actions and decisions.

- C.1. Formal written minutes are not maintained for closed meetings. Although minutes for closed meetings are not specifically required by law, minutes constitute the record of proceedings of the City Council. Formal written minutes for closed meetings result in better record of city transactions, proceedings, and decisions. In addition, minutes help the city demonstrate that closed discussions or business relate to the specific reasons announced for closing the meeting pursuant to Chapter 610, RSMo 1994.

The city began preparing minutes of closed meetings in March 1999.

2. The council minutes and the meeting agendas do not document the specific reasons for going into closed session. Section 610.021, RSMo Cum. Supp. 1999, allows the council to close the meetings to the extent the meetings relate to certain specified subjects. Section 610.022, RSMo Cum. Supp. 1999, requires a closed meeting, record or vote be held only for the specific allowable reasons announced publicly at an open session. In addition, this law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote.

These conditions were noted in our prior report.

- D. The Mayor and City Council sometime hold "work sessions" to discuss bills and reports prior to their regular meeting. The Mayor indicated the Council does not make decisions or vote at these sessions. The "work sessions" are not open to the public, notice is not posted, and tentative agendas and minutes are not prepared.

The governing bodies of all political subdivisions in Missouri are required to conduct most business in regular open meetings. Chapter 610, RSMo 1994 requires public notice of all meetings as well as reasonable accommodation to assure public access to meetings.

- E. Improvement is needed in the organization and documentation of the city's ordinances. The codified ordinances were updated in September 1998; however, the last ordinance included was enacted in June 1996. The city does not maintain a listing of ordinances passed since the last codification, but simply file the new ordinances in the City Clerk's office in numerical sequence. We were unable to locate several ordinances. We could not

readily determine whether the city had failed to use the missing ordinance number or an ordinance had been misplaced.

Since ordinances represent legislation which has been passed by the council to govern the city and its residents, it is important that the city's ordinances be maintained in a complete and up-to-date manner. An index of all ordinances passed and repealed by the city could help keep track of additions and changes made to the city ordinances.

This condition was noted in our prior report.

- F. The city does not have a formal policy regarding public access to city records. A formal policy regarding access and obtaining copies of city records would establish guidelines for the city to make the records available to the public. This policy should establish a contact person, an address for mailing such requests, and a cost for providing copies of public records.

Section 610.023, RSMo Cum. Supp. 1999, lists requirements for making city records available to the public. Section 610.026, RSMo Cum. Supp. 1999, allows the city to charge fees for copying public records, not to exceed the city's actual cost of document search and duplication.

WE RECOMMEND the City Council:

- A. Ensure council meeting minutes are signed by the Mayor and the City Clerk to attest to their completeness and accuracy, and organized files of minutes are maintained.
- B. Ensure all significant discussions, actions taken, and information required by state law are included in the minutes.
- C.1. Ensure minutes are prepared for all closed meetings.
 - 2. Ensure minutes and agendas state the specific reasons for going into a closed session, as required by state law.
- D. Ensure compliance with state law for all regular and other meetings.
- E. Update and codify the city's ordinances and ensure a complete set of ordinances is maintained. In addition, the city should consider establishing an index of all city ordinances passed and rescinded.
- F. Develop written policies regarding procedures to obtain public access to, or copies of, public city records.

AUDITEE'S RESPONSE

- A. *The City Council has instructed the Mayor, the City Clerk and other appropriate officials and employees of the city to obtain the signatures of the Mayor and the City Clerk on all minutes of the City Council meetings in order to attest to the completeness and accuracy of the minutes of meetings. In addition, the City Council has recently upgraded its staff in the office of the City Clerk, which upgrade will verify and ensure that the city maintains organized files of minutes. The City Council will monitor compliance with its directives.*
- B. *As discussed in the response to MAR No. 6.A, the City Council has recently upgraded its staff in the office of the City Clerk, which upgrade will assist the city in ensuring that, in connection with all meetings of the City Council, all significant discussions, actions and information required by state law will be included in the minutes. The City Council will monitor compliance with its directives.*
- C.1. *As discussed in the response to MAR No. 6.A, the City Council has recently upgraded its staff in the office of the City Clerk, which upgrade will assist the city in ensuring that minutes are prepared and maintained for all closed meetings. The City Council will monitor compliance with its directives.*
2. *As discussed in the response to MAR No. 6.A, the City Council has recently upgraded its staff in the office of the City Clerk, which upgrade will assist the city in ensuring that minutes and agendas state the specific reasons for going into closed sessions of the City Council, as required by applicable state law. The City Council will monitor compliance with its directives.*
- D. *As discussed in the response to MAR No. 6.A, the City Council has recently upgraded its staff in the office of the City Clerk, which upgrade will assist the city in ensuring compliance with state law relating to all regular and special meetings. The City Council will monitor compliance with its directives.*
- E. *As discussed in the response to MAR No. 6.A, the City Council has recently upgraded its staff, which upgrade will assist the city in updating and codifying the city's ordinances and ensuring that a complete set of ordinances is maintained. In addition, the City Council has directed the City Clerk to establish an index of all city ordinances passed and rescinded. The City Council will monitor compliance with its directives.*
- F. *The City Council has instructed the Mayor and other appropriate officials and employees of the city to formalize and deliver to the City Council for its review and approval the city's written policies and procedures regarding public access to, or copies of, public city records. The City Council will monitor compliance with its directives.*

A. Our review of the city's budgets noted the following concerns:

- 1) The budgets are not approved on a timely basis. The budgets for the fiscal years beginning July 1, 1999, 1998, and 1997, were not approved until July 7, 1999, July 15, 1998, and August 7, 1997, respectively.

Section 67.070, RSMo 1994, requires that if a new budget is not adopted by the beginning of the new year then the council should operate under the prior year's budget. To be of maximum benefit to the taxpayers and the city, the budget should be adopted prior to the beginning of the fiscal year.

- 2) Monies restricted for specific purposes, such as the Road and Bridge Fund and the Capital Improvements Sales Tax Fund are not separately budgeted. Currently, the city prepares an operating budget which includes all of the general and restricted monies as one fund.
- 3) The budgets for the years ended June 30, 1999 and 1998, did not present a complete financial plan for the ensuing year. The actual and estimated cash and resources available at the beginning and end of the year, respectively, were not included on the budget.
- 4) The budgets did not include a comparative statement of actual or estimated receipts and disbursements for the two previous years. The city presented only the estimated budget for the current year. Amounts for the two previous years provide comparative information to help evaluate the reasonableness of the budget estimates for the upcoming year.

Sections 67.010 to 67.080, RSMo 1994, set specific guidelines for the format, approval, and amendments of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A complete budget should include the beginning available resources and reasonable estimates of the ending available resources.

Similar conditions were noted in our prior report.

B. The City Council does not periodically compare actual revenues and expenditures to the budgeted amounts. The City Council receives a monthly report of actual receipts and disbursements; however, this does not include a comparison to amounts budgeted or year-to-date totals.

Budgets are a planning tool and should serve as a guide throughout the year to monitor revenues and expenditures. A periodic comparison of budgeted versus actual revenues and expenditures is necessary to properly monitor the financial condition of each city fund.

- C During the year ended June 30, 1998, the city approved expenditures in excess of budgeted amounts totaling approximately \$122,000. The city did not prepare an amended budget or adopt a resolution authorizing the additional expenditures, nor did the city set forth any reasons for exceeding the budgeted amounts in the council minutes.

Section 67.040, RSMo 1994, requires political subdivisions to keep expenditures within amounts budgeted. If there are valid reasons which necessitate excess expenditures, a resolution should be adopted by the governing body setting forth the amount of the budget increase and the facts and reasons for such over expenditures.

- D. The city has not published semi-annual financial statements as required by state law and city ordinance. Section 79.160, RSMo 1994, and city ordinances require the Council to prepare and publish semi-annual financial statements. In addition, Section 79.165, RSMo 1994, states the City Treasurer cannot legally disburse funds until the financial statement is published.

This condition was noted in our prior audit.

WE RECOMMEND the City Council:

- A. Ensure budgets are prepared timely and in accordance with state law for all city funds each year.
- B. Periodically compare actual revenues and expenditures with budgeted amounts to monitor city finances and to ensure actual expenditures do not exceed budgeted amounts.
- C. Ensure the expenditures are kept within budgeted amounts. If it is necessary to incur additional expenditures, a resolution setting forth the increase and reasons for such should be adopted.
- D. Ensure semi-annual financial statements are prepared and published in accordance with state law and city ordinance.

AUDITEE'S RESPONSE

- A. *The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to verify and ensure that budgets for all city funds are prepared on an annual basis, in a timely fashion and in accordance with state law. In addition, the City Council has directed the Mayor, the Treasurer, the Bookkeeper and other*

appropriate officials and employees to design and submit to the City Council for its approval a detailed annual schedule to assist the city in meeting all applicable deadlines. Such schedule is required to include the receipt of input from all city departments including the Police Department and the Court System. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant). The City Council will monitor compliance with its directives.

- B. The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to periodically compare actual revenues and expenditures with budgeted amounts to monitor city finances and to verify and ensure that actual expenditures do not exceed budgeted amounts. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant). The City Council will monitor compliance with its directives.*
- C. The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to verify and ensure that expenditures are kept within budgeted amounts. If it is necessary to incur additional expenditures, the City Council intends to adopt an appropriate resolution setting forth the increase and the detailed reasons for such increase. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant). The City Council will monitor compliance with its directives.*
- D. The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to verify and ensure that semi-annual financial statements are prepared and published in accordance with state law and city ordinance. In addition, the City Council has directed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to design and submit to the City Council for its approval a detailed annual schedule to assist the city in meeting all applicable deadlines. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant). The City Council will monitor compliance with its directives.*

8.

Restricted Funds

- A. Capital improvement sales tax monies are not accounted for properly. In November 1995, city voters passed a ½ cent capital improvement sales tax to be used for the purpose of funding, operating, and maintaining capital improvements. During the period January 1, 1996 through June 30, 1999, receipts from the sales tax of approximately \$607,000 were placed in the city's General Fund. Disbursements specifically for capital improvement projects are not identified in the city's records.

Section 94.577, RSMo Cum. Supp. 1999, states that all capital improvement sales tax receipts shall be deposited in a special trust fund and used solely for capital improvements. In addition, separate records of receipts and disbursements would help inform the city residents of the specific projects funded by the sales tax.

- B. During the years ended June 30, 1999 and 1998, the city received motor vehicle-related receipts totaling approximately \$144,000 and \$141,000, respectively, from the state. The city maintains a separate bank account for the deposit of these funds; however, the city has transferred monies from this account to the city's General Fund periodically. Article IV, Section 30, of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be expended only for street-related purposes.

Although street-related disbursements are paid from the General Fund, these disbursements are not specifically identified in the city's accounting records. As a result of this situation, monies legally restricted for street purposes have not been accounted for fully.

To ensure compliance with the Missouri Constitution, the city should maintain a separate accounting of motor vehicle-related receipts and ensure these monies are used only for the purposes allowed by the constitution.

This condition was also noted in our prior report.

The city should perform a detailed review of the capital improvement sales tax and motor vehicle-related receipts and disbursements that have been handled in the General Fund and determine if there is any remaining balance or monies due back from the General Fund. The unspent balance of these receipts should be accounted for separately along with future receipts.

WE RECOMMEND the City Council establish a separate accounting of restricted receipts and disbursements for capital improvement sales tax and motor vehicle-related monies to ensure they are used solely for allowable purposes and to inform the voters of the use of these restricted funds.

AUDITEE'S RESPONSE

The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to establish on the books of the city a separate accounting of restricted receipts and disbursements for capital improvement sales tax and motor vehicle-related monies to verify and ensure that such funds are used solely for allowable purposes and to report the balances and uses of funds in these accounts in the city's financial information made available to members of the public. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant). The City Council will monitor compliance with its directives.

- A. Prenumbered permits are not used for building permits, plumbing permits, electrical permits, and occupancy permits. In addition, although the city issues prenumbered licenses for merchant's, storage, manufacturing, and business licenses, the city does not account for the numerical sequence. Also, the permit/license fee receipt slips are not reconciled to the number of each type of permit and license issued and the amount of fees deposited.

To provide additional assurance all monies are properly collected, recorded, and deposited, permits and licenses should be prenumbered and the numerical sequence should be accounted for properly. In addition, permit/license fee receipt slips should be reconciled to permit/license fee monies deposited and the number of permits/licenses issued to ensure all permit and license fees are being received, recorded, and deposited.

- B.1. City ordinance 13-201 requires businesses operating within the city limits to purchase a business license. The ordinance establishes the fee for these licenses at \$125 for most businesses. The city assessed and collected an incorrect fee of \$150 for two of the five licenses we reviewed. In addition, \$225 was collected for a license for which a fee of \$150 should have been assessed. City personnel could find no documentation to support the higher rate charged.
2. City ordinance 5-11 requires all property owners to obtain a building permit for proposed construction. The city assessed and collected an incorrect fee for three of the five permits we reviewed. The ordinance establishes the fee for these permits at four dollars on every \$1,000 of estimated construction costs. The city instead assessed a fee of 4 percent of the proposed construction costs, resulting in overcharges on the three permits totaling \$414.
- C. The city issues a prenumbered manufacturer's license to the applicable businesses and retains the stub in the license book. The City Clerk could not locate the stubs for manufacturer's licenses issued prior to March 1999.

Retention of city records is essential to establishing accountability for city financial activity and in demonstrating compliance with state and city law. Effective control of records require all documents and records be safeguarded against loss due to fire or theft, be accessible to the appropriate city officials/employees, and upon reasonable request, be accessible to the public.

WE RECOMMEND the City Council:

- A. Require all permits to be prenumbered and the numerical sequence of permits and licenses be accounted for properly. In addition, fees collected for all such permits and licenses should be reconciled to the number of permits and licenses issued.
- B. Ensure license and permit fees are assessed and collected in accordance with city ordinance.
- C. Ensure all records of the city are properly retained and available for review.

AUDITEE'S RESPONSE

- A. *The City Council recently upgraded its personnel in the office of the City Clerk. The upgrade will assist the city to implement its policy to require all permits to be pre-numbered and the numerical sequence of permits and licenses to be accounted for properly. In addition, oversight from the Mayor, the Treasurer and members of a City Council committee will assist the city to reconcile the fees collected for all such permits and licenses to the number of permits and licenses actually issued.*
- B. *The City Council recently upgraded its personnel in the office of the City Clerk. This personnel change will permit the city to verify and ensure that license and permit fees are assessed and collected in accordance with city ordinance. In addition, the City Council has directed the Mayor, the Treasurer and the members of a City Council committee to monitor the activities of personnel in the office of the City Clerk with respect to license and permit fees.*
- C. *The City Council recently upgraded its staff in the office of the City Clerk. This personnel change will permit the city to verify and ensure that all records of the city are properly retained and available for review. In addition, the City Council has directed the Mayor, the Treasurer and the members of a City Council committee to monitor the activities of the personnel in the office of the City Clerk with respect to record retention.*

10.

Accounting Controls and Procedures

- A. Monthly bank reconciliations are not prepared. In addition, balances are not recorded in the check registers. The city contracted with a certified public accounting (CPA) firm for the compilation of financial statements for the city. The CPA firm prepared bank reconciliations at January 31, 1999 and June 30, 1998 for the city's accounts. During our review of these reconciliations we noted the following concerns:

- 1) The city does not record bank fees or returned items in their general ledger or on the monthly Treasurer's report. In addition, it does not appear interest income is consistently recorded for all funds. Adjustments for these items were made by the CPA firm when reconciling the accounts.
- 2) Due to errors in recording receipts and disbursements in the city's records, additional adjustments ranging from \$435 to \$46,938 were necessary to agree the book balance to the reconciled bank balance.

Complete and accurate bank reconciliations are necessary to ensure accounting records are in agreement with the bank, and to allow errors or discrepancies to be detected and corrected timely. Maintaining a running checkbook balance ensures sufficient funds are available for disbursements.

- B. The city does not have an investment ledger to monitor certificate of deposit investments.

Complete, organized investment records are necessary to provide accurate and timely financial information upon which effective management decisions may be based. Furthermore, without such records, accountability over the city's assets and related revenues is weakened.

- C. The police department accepts cash, checks, and money orders for vehicle releases, police reports, and bond fees.

- 1) Receipt slips are not issued for the receipt of these monies. To help ensure collections are properly recorded and deposited, prenumbered receipt slips indicating the method of payment should be issued for all monies received, the numerical sequence accounted for properly, and the composition of the receipt slips reconciled to the composition of monies transmitted to the city.
- 2) Transmittals are not made on a timely basis. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, transmittals should be made on a daily basis or when receipts exceed \$100.
- 3) Checks and money orders are not restrictively endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- 4) Cash receipts are not transmitted to the city for deposit; instead, they are held by the police department and used for small purchases. To ensure the proper handling and safeguarding of monies, receipts should be deposited intact, and, if needed, a petty cash fund should be established and maintained on an imprest basis.

- D. City receipt records are not properly reconciled to deposits. The City Clerk's office records the amount and method of payment for all monies received on a prenumbered one-write receipt system and posts the receipt into the city cash register. The City Bookkeeper reconciles the total money on hand at the end of each day to the cash register tapes; however, the cash register tapes are not always retained. In addition, no reconciliation is made between the one-write receipt ledger and the deposits. We noted several instances when receipt slips were not issued for some monies received, indicated the incorrect method of payment, or were written for the wrong amount. Also, no one accounts for the numerical sequence of the receipt slips issued.

To adequately account for all monies received and recorded, and help ensure all receipts are properly deposited, the city should reconcile the amount and composition of monies per the one-write receipt ledger to the composition of amounts deposited. In addition, the numerical sequence of receipt slips issued should be accounted for properly.

- E. The City Bookkeeper prepares the monthly Treasurer's report which indicates the receipts for the month by classification, the disbursements for the month by check, and the ending balance. The report is prepared from the City Bookkeeper's general ledger. We noted the following concerns:

- 1) Receipts per the City Clerk's one-write receipt ledger do not always agree to the general ledger or the Treasurer's report. In addition, receipt amounts on the report were sometimes estimated when the monies had not yet been received at the time the Treasurer's report was prepared, and transfers between the city's bank accounts were not always recorded on the general ledger or the Treasurer's report.
- 2) Disbursements per the general ledger and the Treasurer's report did not always agree to the actual check issued.
- 3) The ending balance shown on the Treasurer's report did not agree to the running balance maintained in the general ledger and the totals reflected on the Treasurer's report were not always accurate.

To ensure the financial information made available to the council and public is complete and accurate, the city should ensure all funds and financial activity of the city is accurately recorded and properly presented in the monthly Treasurer's reports.

This condition was noted in our prior report.

- F. The City Bookkeeper maintains a petty cash fund of approximately \$400. The fund is not operated on an imprest basis, invoices or receipts are not maintained for some expenditures, and a ledger is not maintained to document disbursements. The fund is

entirely under the control of the City Bookkeeper and no independent review is made of the fund to ensure it is maintained properly.

Invoices should be maintained for all petty cash expenditures and the fund should be operated on an imprest basis, meaning that cash on hand and the invoices should always total the established balance, and checks issued to replenish the fund should equal the total of the invoices. A ledger of petty cash transactions should be maintained and periodically the fund should be counted and reconciled to the imprest balance by an independent person to ensure the funds are being accounted for properly, to detect any errors, and to prevent these monies from being misused.

A similar condition was noted in our prior report.

- G. In 1997, the city agreed to sell three of its vehicles to city employees for \$2,000 to \$2,500 per vehicle without obtaining bids as required by ordinance. The city entered into contracts with these employees to finance the purchase of these vehicles by allowing them to take a payroll deduction each month until the balance was repaid. One vehicle contract was canceled before the sale could be finalized and a second was canceled after the employee left the city's employment and failed to continue making the payments. The city was not able to retrieve the third vehicle even though the former employee failed to repay the contract amount.

Section 2-8 of the city code requires sealed bids to be solicited for all sales of property or services by the city in excess of a value of \$1,000.

To ensure the best price is obtained for property sold, the city should solicit bids in accordance with city ordinance, and documentation of bids received should be maintained.

- H. On December 10, 1996, the city entered into a contract with the Wellston Housing Authority to provide supplemental police services at the public housing developments. This contract requires the city police department to provide three police officers to perform specialized patrols to the public housing developments on a cost reimbursement basis not to exceed \$80,000 per year (\$26,667 in salaries and fringe benefits per officer). During the two years ended June 30, 1999 and 1998, the city received \$78,667 and \$63,333, respectively from the Housing Authority.

It appears the city failed to collect payment for services rendered in November 1997. The city has not developed procedures to ensure payment is received for each month billed. In addition, police personnel are required to complete a daily patrol log, which includes hours worked, calls and requests for service, referrals, suspicious persons, etc. and the police department also prepares a bill to be sent to the Housing Authority each month. The city was only able to locate 11 of 23 monthly bills for the period of July 17, 1997

through July 31, 1999 and could not provide us with copies of any of the daily patrol logs or most of the daily dispatch logs requested for review.

Proper documentation should be maintained to show compliance with the contract requirements. In addition, procedures should be developed to ensure payment is received for each month billed.

WE RECOMMEND the City Council:

- A. Ensure monthly bank reconciliations are prepared and checkbook balances are maintained. In addition, all bank fees, interest, and other adjustments should be properly recorded in the city's records.
- B. Ensure an investment ledger is maintained.
- C.1. Require prenumbered receipt slips be issued for all monies received, and ensure the numerical sequence of receipt slips issued is accounted for properly. In addition, the method of payment should be noted and the composition of receipt slips should be reconciled to the composition of monies transmitted to the city.
 - 2. Ensure transmittals are made on a daily basis or when accumulated receipts exceed \$100.
 - 3. Ensure checks and money orders are restrictively endorsed immediately upon receipt.
 - 4. Transmit monies intact to the city for deposit. The council should consider establishing an imprest petty cash fund for the police department, if necessary.
- D. Ensure the amount and composition of receipts per the one-write receipt ledger is reconciled to the composition of bank deposits. In addition, the numerical sequence of receipt slips should be accounted for properly.
- E. Ensure the general ledger and the Treasurer's report are accurate and complete.
- F. Formally establish an imprest amount for the petty cash fund and ensure the fund is periodically counted and reconciled to the imprest balance by an independent person. In addition, invoices should be maintained for all petty cash expenditures and a ledger should be prepared of all petty cash transactions.
- G. Solicit bids for the sale of all assets in accordance with city ordinance.
- H. Ensure proper documentation is maintained to reflect the city's compliance with the contract with the Housing Authority. The city should ensure it collects payment for each

month billed and should contact the Housing Authority about the unpaid bill from November 1997.

AUDITEE'S RESPONSE

- A. *The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to verify and ensure that monthly bank reconciliations are prepared and to maintain running checkbook balances. In addition, the City Council has directed that all bank fees, interest and other adjustments be properly and promptly recorded in the city's records. The members of the City Council have determined independently to monitor the implementation of its directives on this matter. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant).*
- B. *The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to maintain at all times an investment ledger for the city. The members of the City Council have determined independently to monitor the implementation of its directive. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant).*
- C.1. *The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to implement procedures requiring pre-numbered receipt slips to be issued for all monies received by the city, and ensuring that the numerical sequence of receipt slips issued is accounted for properly. In addition, the City Council has also directed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to establish procedures whereby the method of payment will be noted and the composition of receipt slips will be reconciled to the composition of monies transmitted to the city. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant). The City Council will monitor compliance with its directives.*
- 2. *The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees of the city to implement appropriate procedures whereby receipts to the city will be transmitted to the Bookkeeper for deposit into the appropriate accounts of the city on a daily basis. The members of the City Council have determined independently to monitor the implementation of this directive on this matter. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant).*
- 3. *The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to implement procedures to verify and ensure that*

checks and money orders are restrictively endorsed immediately upon receipt. The members of the City Council have determined independently to monitor the implementation of its directive. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant).

4. *The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to transmit monies intact to the city for deposit into the appropriate account. The City Council has also directed the Mayor and the Chief of Police to investigate and report to the City Council for its approval the establishment of a petty cash fund for the Police Department. The members of the City Council have determined independently to monitor the implementation of its directive on this matter. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant).*
- D. *The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to verify and ensure that the amount and composition of receipts per the one-write receipt ledger is reconciled to the composition of bank deposits. In addition, the City Council has directed that the numerical sequence of receipt slips be accounted for properly. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant). The City Council will monitor compliance with its directives.*
- E. *The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to implement procedures to verify and ensure that the general ledger and the Treasurer's report are accurate and complete. The members of the City Council have determined independently to monitor the implementation of its directive on this matter. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant).*
- F. *The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees of the city to formally establish an imprest amount for the petty cash fund and to verify and ensure that the fund is periodically counted and reconciled to the imprest balance by an independent person. In addition, the City Council has directed the city to maintain all invoices for all petty cash expenditures and a ledger of all petty cash transactions. The members of the City Council have determined independently to monitor the implementation of its directive on this matter. The city intends to engage the services of an independent certified public accountant to assist it with this matter (see the response to MAR No. 2 for more details on the role of the accountant).*

- G. *The City Council has instructed the Mayor and other appropriate officials and employees to establish policies to solicit bids for the sale of all assets in accordance with city ordinances. The City Council has also directed the Mayor and other appropriate officials and employees of the city to recommend to the City Council for approval by the City Council amendments to the city's existing ordinances to modernize the city's approach to the sale of city assets. The City Council will monitor compliance with its directives.*
- H. *The City Council has instructed the Mayor, the Treasurer, the Bookkeeper and other appropriate officials and employees to implement policies to maintain proper documentation to reflect the city's compliance with the contract with the Housing Authority. The City Council has also directed appropriate officials and employees to collect payment for each month billed and to contact the Housing Authority concerning the unpaid bill from November 1997. The members of the City Council have determined independently to monitor the implementation of its directive on this matter.*

11. Municipal Court Division

- A. Bond monies are collected by the police department and transferred to the Court Clerk for deposit into the city treasury. During our review of bond records, we noted the following concerns:

- 1) Approximately \$4,083 in cash bond monies collected between February 1998 and November 1998 were not deposited and appear to be missing.

The police department issues prenumbered receipt slips with a corresponding prenumbered bond envelope for all bond monies received. The police department also posts each bond to a bond log. The bond money and one copy of the receipt slip are put into the bond envelope and placed in a lock box. In the past, the Court Clerk and a designated police officer retrieved the envelopes from the lock box and verified the amounts in each envelope. Currently the police department retrieves the envelopes from the lock box and transmits the bond monies to the Court Clerk. The Court Clerk issues a prenumbered one-write receipt slip for each bond, enters each bond in the cash register, and deposits these monies into the city treasury daily. The police bond receipt slip and the court bond receipt slip are placed in the bond envelopes, which are filed by court date.

Twenty bonds recorded on the police department's bond receipt log could not be traced to an entry on the court's one-write receipt ledger or to a deposit in the court bond account. For eight of these bonds, totaling \$1,850, the Court Clerk had filed the bond envelope in her file; however, it did not contain a copy of a court receipt slip. For the other twelve bonds, totaling \$2,233 the bond envelope was not in the Court Clerk's file. In addition, as noted in part 3 below, numerous

police department receipt slips were not entered in the bond log and could not be accounted for properly.

These discrepancies were not detected on a timely basis due to numerous internal control weaknesses, little or no independent review, and a lack of adequate record keeping. The Municipal Division should review the situation and take necessary actions to recover the missing monies.

A similar condition was also noted in our prior report.

- 2) Bond monies received by the police department are not transmitted to the Court Clerk on a timely basis. Transmittals are made approximately once a week. In addition, the Court Clerk does not always indicate her receipt of bonds from the police department. In April 1999, the Court Clerk began initialing the police bond log to indicate her receipt of bonds from the police department.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, transmittals should be made daily or when accumulated receipts exceed \$100. To adequately account for all bond receipts and ensure all receipts are properly deposited, the Court Clerk should continue to initial the bond log to indicate her receipt of bonds from the police department.

- 3) Receipt slips issued by the police department for bond collections are prenumbered; however, some receipt slips were issued out of sequence. Numerous gaps between receipt numbers existed on the police department's bond log. The police department was unable to determine the disposition of the missing receipt slips. To adequately account for bond monies and to ensure all bond monies received are transmitted to the Court Clerk, prenumbered receipt slips should be issued in sequence and accounted for properly.
- 4) Money orders received by the police department are not restrictively endorsed until they are received by the Court Clerk. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- 5) Bond monies received are deposited directly into a city bank account. The Court Clerk does not maintain a bond ledger to account for the receipt, disbursement, and balance of bond monies, nor does she prepare a monthly listing of open-items (liabilities) to document the amount of bond monies being held by the city. As of June 30, 1999, neither the Court Clerk nor the city were able to determine the amount of open bonds held by the city. In addition, unclaimed bond refund checks are returned to the city where they are voided and not reissued.

A bond ledger indicating date and amount of receipt and date of disbursement is necessary to ensure proper accountability over bonds. Monthly open-items listings should be prepared and reconciled to the bond monies held by the city to ensure proper accountability over open cases and ensure monies held in trust are sufficient to meet liabilities. Any unclaimed bonds remaining one year after final court disposition should be disbursed to the state's Unclaimed Property Section as required by Section 447.595, RSMo 1994.

Similar conditions were noted in our prior report.

- 6) Bonds received are not posted to the individual case files or to the court's computer system. When a bond is applied to fines and costs or refunded, the Court Clerk places the bond receipt in the case file. A defendant must provide the copy of the original bond receipt slip to apply a bond to fines and costs or to obtain a bond refund. Due to the failure to post bonds to case files and failure to maintain a bond ledger, the Court Clerk cannot determine when bonds should be forfeited to the city or if a bond remains unclaimed. To ensure bonds are properly handled and recorded, the amount collected, the bond number, and the date of payment should be recorded on the case file.
- 7) The City Bookkeeper does not disburse specific bond monies to the city's general account when the bonds are applied or forfeited. Instead, the City Bookkeeper transfers lump sums from the bond account to the city's general account as funds are needed. To adequately account for bond monies, the City Bookkeeper should transmit any bonds to be applied or forfeited to the city on a timely basis.

- B. The municipal division accepts cash, checks, and money orders for payment of fines and court costs and deposits monies into a city bank account. Receipt slips issued by the municipal division do not indicate the method of payment received. To ensure receipts are deposited intact, the method of payment should be recorded on receipt slips, and the composition of receipt slips issued should be reconciled to the composition of bank deposits.

This condition was noted in our prior report.

- C. The duties of receiving, recording, and transmitting fine, court cost, and bond monies collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all of these duties. The City Bookkeeper indicated she reconciles the total money on hand at the end of each day to the cash register tapes and the one-write receipt ledgers, and accounts for the numerical sequence of the receipt slips issued; however, her review is not documented. In addition, no one compares the bond monies to be deposited with the original entry recorded on the police department's bond log.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is an office of one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips and bond forms issued to amounts deposited. This review should include accounting for the numerical sequence of receipt slips issued, and reconciling the composition of receipt slips issued by the court and the composition of monies transmitted to the City Treasurer for deposit.

- D.1. Neither the police department nor the court maintain adequate records to account for tickets assigned and issued, and their ultimate disposition. The police department maintains listings of tickets assigned and issued, but the listings are not complete or adequate to account for all tickets issued and their ultimate disposition. During our review, we noted numerous tickets not accounted for properly. It appears no one scans these logs for missing tickets.

Without a proper accounting of the numerical sequence and disposition of tickets, the police department and the court cannot be assured that all tickets issued were properly submitted to the court for processing. A complete listing of each ticket number, the date issued, offense, and violator's name would help ensure all tickets issued are properly submitted to the court for processing, properly voided, or not prosecuted. In addition, a record should be maintained of the ultimate disposition of each ticket.

This condition was noted in our prior report.

2. The Court Clerk does not post the ticket number to the court's computer system; thus, she was unable to locate case files from the ticket numbers. Instead, cases are filed alphabetically by the defendant's name. Seven of the sixty tickets requested could not be located. A cross-referencing system is necessary to ensure all tickets have been submitted to the court for processing and to aid in locating issued tickets and the related case files.
- E. The city did not disburse the state's portion of the Crime Victims Compensation fund (CVC) and Peace Officer Standards and Training Commission (POSTC) fees for all cases on which they were collected and some disbursements were not made timely. Section 595.045, RSMo Cum. Supp. 1999, requires 95 percent of the CVC fees be paid monthly to the state. POSTC fees should also be disbursed monthly to the state.
- F. The Court Clerk could not locate twenty-two of the sixty case files (37 percent) requested for review. The clerk was able to locate fifteen of those cases on the court's computer system. In addition, the Court Clerk could not locate one-write receipt ledgers prior to April 1997, the one-write receipt ledger for June 1997, and six court dockets for 1997. Supreme Court Administrative Rule 8 requires all municipal ordinance case files be maintained for three years after the date of filing and financial records be maintained for five

years or upon completion of an audit. Retention of applicable records is necessary to properly account for all municipal monies received.

- G. The municipal division does not forward required records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP). Section 302.225, RSMo Cum. Supp. 1999, requires records of any pleas or findings of guilty on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.

This condition was noted in our prior report.

- H. The final disposition of each case is not always adequately documented on the court docket. In addition, the Municipal Judge does not sign the court dockets after dispositions are recorded, and the Prosecuting Attorney does not always initial or sign the case file to document approval of a ticket's amendment or dismissal.

To ensure the proper disposition has been entered in the court records, the Municipal Judge should review each court docket and sign the docket to indicate approval of the recorded disposition. In addition, the Prosecuting Attorney should sign all amended and dismissed case files.

This condition was noted in our prior report.

WE RECOMMEND the Municipal Division:

- A.1. Review the situation with the City Council and legal counsel and contact the municipal division's bonding company.
2. Request the police department to transmit bond receipts daily or when accumulated receipts exceed \$100. In addition, the Court Clerk should continue to initial the police department's bond log to indicate her receipt of bonds from the police department.
3. Work with the police department to ensure receipt slips are issued in sequence and the numerical sequence of the receipt slips is accounted for properly.
4. Request the police department to restrictively endorse money orders immediately upon receipt.
5. Maintain a bond ledger, prepare a monthly listing of open items, and work with the City Bookkeeper to reconcile these records to the bond monies held by the city. Any unclaimed bonds remaining after one year of court disposition should be disbursed in accordance with state law.

6. Record on the case file the bond amount collected, the bond number, and the date of payment.
7. Request the City Bookkeeper to develop procedures to ensure all bond monies applied or forfeited are disbursed to the city's general account on a timely basis.
- B. Indicate the method of payment on receipt slips issued and reconcile the composition of receipt slips to bank deposits.
- C. Establish a documented review of municipal division records by an independent person.
- D.1. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets assigned and issued.
2. Post the ticket number to court computer system.
- E. Develop procedures to ensure all CVC and POSTC fees collected are remitted to the state in accordance with state law and on a timely basis.
- F. Retain all tickets, case information, and financial records in accordance with Supreme Court Rule 8.
- G. Forward records of convictions on traffic offenses to the MSHP as required by state law.
- H. Include the disposition of each case on the court docket. In addition, the Municipal Judge should ensure the docket is signed to indicate review and approval, and the Prosecuting Attorney should sign all amended and dismissed cases.

AUDITEE'S RESPONSE

The Municipal Judge, Court Clerk, Mayor and City Council responded as follows:

- A.1. *The City Council has determined to conduct a thorough review of the issue of unaccounted-for monies related to the bond program and to co-ordinate with the city's bonding company toward the goal of recovering such sums for the city. The outside auditing firm that the city intends to retain will provide the city with assistance with this matter (see the response to MAR No. 2 for more details on the role of the accountant). The City Council will monitor compliance with its determinations.*
2. *The Court Clerk will issue new sequential, triplicate bond receipt forms to the Police Department to replace the receipts currently in use. The Police Department will be required to return the completed receipts to the Court Clerk each Monday and Thursday, including any forms that were canceled or voided. The recommended daily return of completed*

receipts or the return of completed bond receipts when accumulated receipts exceed \$100 will be considered. The Court Clerk will verify the return of all bond receipt forms and report any missing forms to the Police Department for written reconciliation and to the Municipal Judge if no written reconciliation is provided within five working days.

The Court Clerk will independently verify the amounts of all bonds transmitted to her and will maintain a bond receipt log of all amounts received. The Court Clerk will accept and initial only those envelopes whose contents match the amounts claimed on the bond envelope. All non-conforming envelopes will be reported immediately to the Municipal Judge and the Mayor. The Mayor will be responsible to report the same to the City Council.

In addition, the City Council has directed the Police Department to cooperate with the court in achieving greater efficiencies in this matter. The City Council, working with the outside certified public accounting firm that the city intends to hire, will monitor compliance with this policy (see the response to MAR No. 2 for more details on the role of the accountant).

- 3. The City Council has directed the Police Department to work with the court to verify and ensure that receipt slips are issued in sequence and the numerical sequence of the receipt slips is accounted for properly. The City Council will monitor compliance with this directive.*
 - 4. The City Council has directed that the Police Department work with the court to verify and ensure that money orders are restrictively endorsed immediately upon receipt. The City Council will monitor compliance with this directive.*
 - 5. The Court Clerk initiated the recommended bond deposit ledger on September 8, 1999 and has maintained the ledger since its introduction. The Court Clerk will prepare a separate written monthly list of open items from the bond deposit ledger and transmit the list to the Bookkeeper. The Bookkeeper will then transmit appropriate monies to the State of Missouri. The City Council will monitor compliance with this matter.*
 - 6. The Court Clerk has adopted a policy whereby bond amounts will be posted on the case file jacket and in the computer system and filed in the case file jackets. The City Council will monitor compliance with this policy.*
 - 7. The City Council has directed the Bookkeeper, under the supervision of the Treasurer, to develop comprehensive procedures to verify and ensure that all bond monies applied or forfeited are transferred to the city's general account on a timely basis. This function will be made easier by the Court Clerk's preparation of a monthly listing of open items to be provided as described in the response to MAR No. 11.A.5. The City Council will monitor developments concerning this matter.*
- B. The Court Clerk will indicate the method of payment, along with the case number on the receipt slips and verify the same on the deposit ticket that she prepares. The City Council*

has also directed that the Treasurer and the Bookkeeper coordinate with the city's bank to develop a system to reconcile the method of payment with the bank deposit slip issued by the bank. The City Council will monitor developments concerning this matter.

- C. The City Council has directed the Treasurer to conduct an impartial, independent review of the court's records on a periodic basis. The retention of outside certified public accountants will also assist with this review (see the response to MAR No. 2 for more details on the role of the accountant). In addition, the City Council has determined to monitor compliance with financial safeguards.*
- D.1. The City Council has directed the Police Department to work with the court in order to verify and ensure that records are maintained in such a fashion as to account for the numerical sequence and ultimate disposition of all tickets assigned and issued through the court. The City Council will monitor developments in this area.*
- 2. The Court Clerk will post ticket numbers submitted to the court in the computer system. The City Council has directed the Police Department to account for all tickets, particularly missing tickets. The City Council will monitor compliance with this directive.*
- E. The Court Clerk has developed procedures to verify and ensure that all CVC and POSTC fees collected are remitted to the State of Missouri in accordance with applicable law and on a timely basis. Implementation of these procedures is reflected in the fact that the Court Clerk changed her case counting method in September 1999 to address this issue and that she now prepares and submits a report to the Bookkeeper on the 20th of each month. The Bookkeeper is monitored by the Treasurer and the City Council.*
- F. The court has adopted procedures to retain all tickets, case information and financial records in accordance with applicable rules. The City Council will monitor compliance with these procedures.*
- G. The Court has adopted procedures to forward records of convictions on traffic offenses to the MSHP as required by state law. The City Council will monitor compliance with these procedures.*
- H. Upon the recommendation of the Missouri Municipal Judges Association and Court Clerk training, final disposition of each case is already documented on the court case file jacket instead of on the docket, so that the maximum amount of data remains in a single, most logical place – the court case file jacket. All posted dispositions will be signed by the disposing authority, i.e., the Prosecutor or the Judge. All Judicial dockets are signed by the Judge. A standing order is being issued to the Prosecutor to verify and ensure that his docket is signed. A standing order is being issued to the Court Clerk instructing her to only accept written and signed dispositions of a case. The City Council will monitor compliance with these procedures.*

AUDITEE'S OVERALL RESPONSE

The City Council has instructed appropriate city officials and employees to investigate fully all findings of the State Auditor and to report the result of such investigation to the City Council.

In order to further enhance the City Council's efforts to respond to these matters, the City Council has determined to devote more resources to training efforts for its officials and staff and to establish a relationship with the Local Government Management and Leadership Partnership, a cooperative project of the East-West Gateway Coordinating Council, the University of Missouri-St. Louis and University Outreach and Extension (the "Gateway Partnership"). In connection with training, the City Council has directed the Mayor and other appropriate officials and staff to recommend to it for its approval greater expenditures toward training programs. With respect to the Gateway Partnership, this relationship will provide the city with additional resources at no cost to the city. These resources will include (a) direct technical assistance and advice to the City Council, officials and employees; (b) training programs to enhance the ability of the Mayor and the City Council to accomplish their duties; (c) advice on grant funding opportunities; (d) facilitating collaboration and cooperation between the City and other local governments; (e) teaching and advising students for local government careers and facilitating mechanisms to get students involved in local government activities; and (f) bringing the resources of East-West Gateway and the University to bear in addressing local government problems.

The city's commitment to greater training measures and the engagement of the Gateway Partnership will provide needed resources and assistance to the City Council in meeting its objectives.

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

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